

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P.O. Box 942850
Sacramento, CA 94250-5878

DATE: November 19, 2001

PAYROLL LETTER # 01-022
CSU ONLY

TO: All Campuses in the Uniform State Payroll System

FROM: RALPH ZENTNER, Acting Chief
Personnel/Payroll Operations Bureau
State Controller's OfficeRE: **PRE-TAX PARKING DEDUCTION PLAN****INTRODUCTION**

Effective with the December 2001 pay period, the Office of the Chancellor has established a pre-tax parking program. For details of this program, please refer to the Office of the Chancellor's Technical Letter HR/Benefits 2001-20 and 2001-20 Supplements 1 and 2. Pre-tax parking applies only to parking deductions withheld from employees' pay.

TAX IMPLICATIONS

The Pre-tax Parking Deduction Plan allows eligible employees to pay for CSU parking expenses with pre-tax dollars. Parking deductions are taken from employee's pay before federal, state, Social Security and/or Medicare taxes are calculated. Taxable income will be reduced, therefore, the taxable income reflected on the annual W-2 statement will be reduced.

In accordance with Internal Revenue Code 132(f), the tax-exempt limit for the amount of qualified parking that may be excluded from federal, state, Social Security and/or Medicare taxes is \$180 per month. Should an employee's parking deduction amount exceed \$180 per month, the Controller's Office will establish two parking deductions, a pre-tax deduction for \$180 and a post-tax deduction for the balance of the total parking cost.

If an employee is due a refund for parking fees because fees were deducted after the effective date of a cancellation or change, complete and submit a Parking Adjustment Notice, Form PPSD 360, (form and instructions will be sent to each campus parking administrator under separate cover) to the Miscellaneous Deductions Unit. The State Controller's Office must refund pre-tax parking deductions because the amount refunded becomes taxable income and all applicable taxes need to be withheld from the refund and reported on the W-2 statement.

DEDUCTION CODES

Deduction code 360 has been assigned to the pre-tax parking program. Deduction code 050 will continue to be used for post-tax parking deductions. The organization codes will remain unchanged (i.e. the post-tax deduction/organization code for the Office of the Chancellor is 050-095 and the pre-tax code is 360-095). The current post-tax parking deduction code 050 will continue to be used for after-tax deductions for those employees currently not eligible or choosing not to participate in the Plan. Deduction code 050 will be used when the employee's pay is not eligible for a pre-tax deduction because it is non-taxable (i.e. Industrial Disability Leave). If the employee's parking fee is in excess of \$180, the federal tax-exempt limit, the amount in excess of \$180 will be paid using the post-tax deduction code.

IMPLEMENTATION

The Controller's Office will convert each eligible employee's post-tax parking deduction to the equivalent pre-tax parking deduction without campus action unless the employee has declined the pre-tax benefit. Employees who declined the pre-tax parking benefit will remain in the post-tax deduction code 050.

After the initial conversion in December 2001, on a monthly basis the Controller's Office will verify each employee's eligibility for pre-tax or post-tax parking deductions. If the employee loses eligibility due to a Collective Bargaining Identification change or declines participation in the pre-tax plan the Controller's Office will convert the deduction to post-tax status. Likewise, if the employee gains eligibility or has previously declined participation and wishes to resume participation in the Plan the Controller's Office will convert the deduction to pre-tax status.

Please note, currently the pre-tax parking benefit is not extended to employees represented by Units 2, 3, 5, 7 and 9.

DOCUMENT PROCESSING

Beginning November 20, 2001, when submitting the Payroll Deduction Authorization, Form CD88, enter 360 in the 'Deduction Code' field. Continue to send Forms CD88 to the Controller's Office, Miscellaneous Deduction Unit, on a daily basis. Forms CD88 must be received by the 15th of the month. Forms received after the 15th of the month may not be effective until the following month.

YEAR-TO-DATE INQUIRY (TAXI) SYSTEM AND EARNINGS STATEMENT/DIRECT DEPOSIT ADVICE ABBREVIATIONS

The pre-tax parking deduction will appear in the 'FLEX/DED' field on the Year To Date Detail 1 and the Year To Date Totals screens. The deduction will be listed on the Earnings Statement/Direct Deposit Advice in the Deductions area under the heading "*PARKING".

Revisions to the Payroll Procedures Manual are forthcoming.

CONTACTS

Please use the following contacts for assistance.

Payroll Letter (916) 322-8109
Sandy Westlake

Document Processing (916) 324-1981
Miscellaneous Deductions Liaison

Pre-tax Parking Deduction Plan Policy (562) 951-4414 Office of the Chancellor, Human Resources Administration

RZ:SW/PMAB